

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



September 2, 2008

COG Operating, LLC
Attn: Ms. Phyllis A. Edwards
Fasken Center, Tower II
550 West Texas Ave., Suite 1300
Midland, TX 79701

SEP - 5 2008
OCD-ARTESIA

Administrative Order NSL-5907

Re: Skelly Unit Well No. 602
API No. 30-015- 36596
Unit K, Section 21-17S-31E
Eddy County

Dear Ms. Edwards:

Reference is made to the following:

(a) your application (**administrative application reference No. pKVR08-21755109**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on August 4, 2008, and

(b) the Division's records pertinent to this request.

COG Operating, LLC (COG) has requested to drill the above-referenced well as a directional oil well to the Yeso formation, at a location that will be unorthodox under Division Rule 111. The proposed surface location, point of penetration and terminus of the well are as follows:

Surface Location: 2558 feet from the South line and 1448 feet from the West line
(Unit K) of Section 21, Township 17S, Range 31E, NMPM
Eddy County, New Mexico

Point of Penetration: 2401 feet from the South line and 1577 feet from the West line
(Unit K) of said section.

Terminus 2310 feet from the South line and 1650 feet from the West line
(Unit K) of said section.



The NE/4 SW/4 of Section 21 will be dedicated to the proposed well to form a standard 40-acre spacing unit in the Fren-Glorieta/Yeso Pool (26770). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. This location is unorthodox because the point of penetration of the Yeso formation will be less than 330 feet from the northern and western boundaries of the unit.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location because of existing pipelines crossing this unit. It is further understood that notice of this application to offsetting operators or owners is not required because of common ownership.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire", written in a cursive style.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
United States Bureau of Land Management - Carlsbad